

**STATE OF MICHIGAN
CHIEF FINANCIAL OFFICERS' COUNCIL
Summary of April 11, 2007 Meeting**

The second meeting of the Chief Financial Officers' (CFO) Council for calendar year 2007 was held at 10:00 a.m., Wednesday, April 11, 2007, in the Michigan Room, Romney Building.

CFO Council members in attendance:

David Bruce – Agriculture
James Selleck – Attorney General
Daniel Bojalad – Civil Rights
Carol Vargovich – Civil Service
James Kasprzak – Environmental Quality
Janet Laverty – History, Arts & Libraries
Ken Theis – Information Technology

Allan Pohl – Labor & Economic Growth
Michael Gilliland – Management & Budget
Minesh Mody – Economic Development Corp
Joel Wortley – Military & Veterans Affairs
Joe Pavona – State
Ed Timpf – Transportation

Other attendees:

Raj Mehta – Civil Rights
Teresa Schneider – Community Health
Craig Thurman – Education
Jill Trepkoski – Environmental Quality
Russ Hecko – Human Services
Leo LaPorte – Information Technology
Lorie Blundy – Legislative Ret. System
Anita Wooton – Lottery
Debbie Brady – DMB, Financial Services

David Quigley – DMB, Financial Services
Joe Frick – Natural Resources
Ruth Mealy – OFM
Laura Mester – OFM
Mike Moody – OFM
Doug Ringler – OFM
Bob Emerson – Office of State Budget
Gena Hyde – State
Palmer Giron – Treasury

Mike Moody, Director of the Office of Financial Management (OFM) and Chair of the Council, welcomed the group. There were three additions to the agenda: FY2006 Cost Control Reports; AP Audit Pilot Process; and Procurement Card Program Controls. The notes will be sent to members for comments shortly after each meeting. Any comments can be sent to Adel. If there are no comments or changes submitted, the notes will be considered approved.

Mike stated the CAFR was issued on March 30. We didn't want to close the year with departments in the red and needed the supplemental. He thanked the agencies for their work with the CAFR and expressed appreciation for their patience and cooperation in the delay. The closing schedule targets December as the date for issuing the 2007 CAFR.

Discussion was held on Executive Directives 10 and 11 and delaying payments to vendors in order to help the current budget situation without violating any contract provisions, paying interest, or missing available discounts. Travel vouchers or other employee reimbursements should not be delayed.

Executive Directive 17 sets the criteria for direct vouchers. It is important to explain how the purchase meets the criteria in the notepad of the direct voucher. A different document type could be used to address the issue of obtaining prior approval, which could also be put in the notepad. Documentation must be provided effective immediately. A new purchasing form will be available on DMB's web site on April 16.

Budget Update

Bob Emerson updated the members on the budget situation to date. The Executive Order for \$350 million passed. The May 18 Revenue Estimating Conference will show revenues \$100 - \$200 million short of where they were in January, making the total for this fiscal year about \$650 million. Revenues are needed and the problem cannot be fixed with cuts alone. The Budget Office continues to work with the Senate and House on a solution. It has to be decided which revenues to raise since it cannot be fixed with cuts. A letter is being prepared to the school districts regarding cuts in school aid, which will generate a lot of concern from the schools. We should be able to deal with the cash flow situation in May but later this summer it will be worse. Slowing down payments when possible will help. There is a cabinet meeting scheduled for Friday, the 13th and Bob will reinforce the issue of Boards and Commissions adhering to the restriction on travel expenses.

BRIEFINGS AND REPORTS TO CFOs

OFM Accounting and Financial Reporting Division Update

Laura Mester, AFR Director, stated the closing schedule will be issued by the end of May. A letter to Chief Accountants and Internal Auditors was issued regarding the Homeland Security grants. State Police grants will be reported by State Police. It is our recommendation that data in MIDB and Business Objects be retained for three years. We are looking at an alternative, which would allow us to get to the information 10 years back -- it just may not be as readily available. We will develop a survey for the Chief Accountants to determine how long the agencies want this data available. Agencies suggested a five-year retention during the meeting. We have the business requirements for the EFT Project. This will expand the functionality to have multiple bank accounts. We are researching edits within our system and want to remove the ability to use funds override. Encumbrances and purchase order documents would be affected also. Controls are in place, which should improve the functionality of processing transactions.

OFM Payroll and Tax Reporting Division Update

Ruth Mealy, PTR Director, reported that a memo will be issued with the new retirement rates from ORS, which should be in place by the May 3 pay date. The 2% pay rate increase will also be included in the May 3 pay. When the HRMN Technology Upgrade is implemented in production, eBroadcast reports from prior pay periods will only be available by request to Civil Service for a limited amount of time.

OFM Support Services Division Update

Doug Ringler, SSD Director, promoted the Business Objects training offered by OFM at no cost. This includes finance, purchasing and human resource classes. The Help Desk is also available for assistance in MIDB and Business Objects queries. May 1 is the deadline for the internal control evaluation reports to go to the Governor. These will be shared with the Internal Control Officers mid-summer. We will be implementing changes regarding state warrants. We are working with the Agency Security Administrators to assign User Class 34 to those employees who need security. We will offer fraud training this summer, using what DEQ and Treasury used. This will eventually be added to our training schedule.

FY2006 Cost Control Reports

Dave Quigley distributed cost control reports by agency and reviewed the content of the reports. It was suggested that a list of object codes by issued that all departments use to make this easier to track. Dave will send this report electronically to the CFOs.

Procurement Card Program Controls

Dave Quigley reported that DMB wants to ensure that credit card holders are receiving prior approval before any purchase is made. Essential items needed to run your business do not need prior approval. DMB will be shutting down some of the merchant class codes for all cardholders. This will restrict the use of procurement cards at food stores, restaurants, fast food stores, specialty retail stores, and hotels. Agencies need to identify who from their office needs the card since this will be done by individual cardholder.

AP Audit Pilot Process

Dave Quigley explained this process, which involves 1,500 transactions and 200 vendors. This is part of the Mi\$ave Project. Letters were sent to these vendors. DMB is using a vendor to look at potential overpayments and/or duplicate payments. The pilot should be completed within the next six weeks. Any questions from vendors can be directed to Dave. It was mentioned that the agencies would have found it useful to know which vendors received a letter and suggested the

Chief Financial Officers be used to determine what is included in a pilot. Dave will send this information electronically to the CFOs.

CFO Member Roundtable Discussion

Questions regarding Executive Directive 2007-15, regarding collection revenues payable to the State of Michigan, can be directed to Mary MacDowell in Treasury at (517) 241-2726.

It was suggested that DMB create a statewide list of all pre-approved items.

The meeting adjourned at 11:35 a.m.

Next meeting: Thursday, July 19, 2007 – 10:00 a.m.
The Michigan Room, 1st Floor, Romney Building

Summary prepared by:

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